

**TESTIMONY OF  
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SUBMITTED TO THE  
INSURANCE AND REAL ESTATE COMMITTEE  
February 28, 2022**

**HB 5042, An Act Concerning Health Care Cost Growth**

Stamford Health appreciates this opportunity to submit testimony concerning **HB 5042, An Act Concerning Health Care Cost Growth**. Stamford Health is committed to working with the legislature and Governor to address healthcare affordability and access in Connecticut and is interested in working with all parties to ensure that this legislation provides the appropriate pathway those goals.

Stamford Health is a comprehensive, independent, non-profit system serving lower Fairfield and Westchester counties. We employ more than 3,700 people, making us the largest employer in the city of Stamford and one of the largest in Fairfield County. Beyond the lifesaving care we provide 24 hours a day, 365 days a year, we contribute more than \$1 billion to our state and local economy and provide more than \$90 million in uncompensated care to the residents that need it most. We are committed to providing friendly, personal care coupled with the most sophisticated services to residents.

HB 5042 places in statute language implementing Governor Lamont's Executive Order No. 5 (EO 5), which requires the Office of Health Strategy (OHS) to implement, beginning in 2021, an annual cost growth benchmark, an increase in primary care spending (as a percentage of total spending), and the development of quality benchmarks.

Stamford Health is committed to sustaining and improving access to high quality healthcare services across our state. We appreciate that affordability is central to that commitment and every actor in the system, i.e., provider, payer, pharmaceutical and device manufacturer, employer, and government, has an important role to play in this effort.

Hospitals and health systems from across the state have worked directly with OHS for nearly two years on the establishment of a cost growth benchmark, primary care targets, and quality benchmarks.

Concurrent with this work, hospitals and health systems have been consumed by the response to the COVID-19 pandemic, which we know has had unprecedented impact on hospital and health system financial health, patient volumes and utilization, and workforce availability and cost. In addition, we are contending with the fastest pace of rising inflation in 40 years.

The hospital and health system view has been guided by a set of principles. **First and foremost, we strive for a healthcare system that is accessible to all patients, provides the type of care they need when and where they need it, is affordable, and is high quality.** Further, the pandemic has taught us that strong hospitals and health systems are key to the state's response to a public health emergency and weakening that infrastructure would harm public health response in the future.

We also consider the following principles, developed through the Connecticut Hospital Association (CHA), specific to the construction of the benchmarks and targets:

- Preserve and expand access to care
- Memorialize robust stakeholder participation and full transparency in the development of the benchmarks and subsequent periods of evaluation
- Develop spending targets that appropriately reflect and promote healthcare's important role in the state's economy
- Implement a non-punitive assessment and evaluation process
- Define the parameters by which measurement of performance against the benchmark will be determined, including what costs will be excepted
  - Excepted costs should include state spending agreements (e.g., Medicaid rate increases); exceptional circumstances (e.g., public health emergency, novel therapies, pharmaceutical price increases, financial recovery); and costs not within a provider's control
- Allow for exceptional activities (e.g., service-line expansion)
- Provide that all healthcare spending (physician, hospital, long-term care, pharmaceutical, device, payer, government, etc.) is captured in the benchmark calculation
- Include appropriate adjustment factors (e.g., risk adjustment)
- Accommodate alternative payment models (e.g., risk contracts, shared savings arrangements, etc.)
- Ensure appropriate access to and protections for data and information submitted and used for benchmark purposes

Hospitals and health systems have consistently highlighted these principles with OHS and other stakeholders.

We also believe there must be an understanding and consideration of the costs associated with providing care, including the significant impact inflation is having and will have into the future, the overwhelming labor costs that have increased dramatically over the last year, pharmaceutical costs, and the continuing effects of COVID-19 on resource utilization and care delivered outside the four walls of the hospital, such as vaccination and testing.

We also note concerns raised about potential effects on access to care and believe those concerns need to be front of mind as we continue with this process. We must not allow benchmark implementation to result in diminished access for patients to healthcare providers and services.

We appreciate the opportunity to share these principles and our ideas with the Committee and ask that you consider them should this legislation move forward. Consistent with these principles, we suggest the Committee consider amendments in the following areas:

#### Require Reauthorization

**The legislation should authorize the benchmarks and targets through 2025 and require their reauthorization by the legislature for implementation beyond that date.**

As we continue the work of implementing the benchmarks and targets, we should acknowledge that we cannot be fully aware of the impacts of their implementation. We do not know yet their full effect on patient access, care innovation, care delivery, and care and service-line expansion.

It is also too early to identify how the pandemic will affect the future of healthcare delivery in our state. There is no analogue for attempting to implement a statewide healthcare spending target in the midst of a global pandemic.

The legislature should acknowledge both the potential promise of benchmark implementation, while being thoughtful in planning that implementation.

#### Benchmark Development and Evaluation

In addition to the factors outlined in the legislation, OHS should also be required to consider other factors like the adequacy of public payer (i.e., Medicare and Medicaid) provider reimbursement rates, labor costs, medical inflation, the costs of breakthrough treatments and medical advances, and the impact of the COVID-19 pandemic and future public health emergencies when setting the benchmark values.

### Public Process for Evaluating Benchmark Values

The OHS executive director should be required to hold a public hearing on the benchmark values and report publicly on why such values are either maintained or changed after the hearing.

### Public Reports

In addition to the requirements outlined in the legislation, the required annual report by OHS should also include information on payer and provider input costs, including pharmaceutical costs, the adequacy of Medicare and Medicaid payment rates as they relate to the cost of care, the impact of the rate of inflation and rate of medical inflation, impacts on access to care, medical service expansion, and pursuit of medical innovation, the effect of patient acuity, and any impact on the response to a public health crisis.

### Analyzing Benchmark Attainment

The legislation should be amended to clarify that a payer or provider that is found to have not met the benchmark target should have the opportunity to meet directly with the OHS executive director to discuss the factual basis for the executive director's finding on noncompliance, provide information to dispute or contextualize such finding, and request that the executive director amend the finding. The names of payers and providers subject to this process should remain confidential.

Public reporting on attainment of the benchmark should be done at the state, market, and provider type levels.

We are happy to discuss further our ideas and amendment suggestions at your convenience.

Thank you for your consideration of our position.